

Message Text

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FM AMEMBASSY COLOMBO
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INFO AMEMBASSY DACCA
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AMEMBASSY KUALA LUMPUR
AEMBASSY LONDON 1795
AMEMBASSY NEW DELHI
AMEMBASSY SINGAPORE
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL HONG KONG
AMCONSUL KARACHI
AMCONSUL MADRAS

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TAGS: EGEN, PINT, CE

SUBJ: FINANCIAL TIMES SURVEY OF SRI LANKA

1. THE MAY 31 EDITION OF THE LONDON FINANCIAL TIMES CARRIED AN EIGHT PAGE SURVEY WHICH THE EMBASSY RECOMMENDS TO THOSE INTERESTED IN ECONOMIC AND POLITICAL DEVELOPMENTS IN SRI LANKA. IN A SERIES OF ELEVEN ARTICLES, THE FINANCIAL TIMES REVIEWS THE ELECTORAL VICTORY OF THE UNITED NATIONAL PARTY (UNP) AND THE NEW GOVERNMENT'S EFFORTS AT CONSTITUTIONAL AND ECONOMIC REFORM. THE ARTICLES ARE REASONABLY WELL BALANCED AND COULD BE CHARACTERIZED AS CAUTIOUSLY PESSIMISTIC IN TONE.

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2. THE SURVEY STATES THAT PRESIDENT JAYEWARDENE HAS TWO GOALS: 1) TO INCREASE EXECUTIVE AUTHORITY IN ORDER TO MAKE THE UN-POPULAR DECISIONS NEEDED FOR ECONOMIC DEVELOPMENT, AND 2) TO CREATE ENOUGH JOBS TO RENDER UNNECESSARY MANY OF THE COUNTRY'S PROHIBITIVELY EXPENSIVE WELFARE PROGRAMS. WHILE THE BASIC PORTION OF HIS POLICIES ARE CONSIDERED TO BE IN THE RIGHT

DIRECTION, THE SURVEY FINDS FEW POSITIVE RESULTS SO FAR.

3. IN DISCUSSING THE UNEMPLOYMENT PROBLEM, THE SURVEY STATES THAT THE ECONOMY WOULD HAVE TO HAVE A REAL GROWTH OF 7 PERCENT A YEAR JUST TO ABSORB NEW ENTRANTS INTO THE LABOR FORCE. AN EVEN HIGHER GROWTH RATE WOULD BE REQUIRED TO REDUCE THE EXISTING BLOCK OF OVER ONE MILLION UNEMPLOYED. EVEN SO, THE GOVERNMENT'S HOPED FOR GROWTH RATE IS ONLY 5.5 PERCENT, WHICH THE TIMES DESCRIBES AS "AMBITIOUS." ONE ARTICLE POINTS OUT THAT TO REACH THE PROJECTED GOAL OF RS. 60 BILLION (\$3.75 BILLION) IN PUBLIC AND PRIVATE SECTOR INVESTMENT THROUGH 1982, THE REAL VALUE OF SUBSIDIES WOULD HAVE TO BE REDUCED BY TWO-THIRDS. THE TIMES, HOWEVER, SEES NO PLANNED PROGRAM TO PHASE OUT SUBSIDIES, BUT RATHER "AN ATTITUDE OF ALMOST NAIVITE ABOUT HOW SUBSIDIES MIGHT EVENTUALLY DISAPPEAR."

4. IN AGRICULTURE, THE SURVEY DOUBTS THAT RECENT GROWTH RATES CAN BE MAINTAINED DUE TO THE PRICE DISTORTIONS CAUSED BY SUBSIDIZED FLOUR AND THE LOW PRICE PAID TO PADDY FARMERS. WHILE RECOGNIZING THE POLITICAL APPEAL OF THE MAHAWELI PROJECT, THE TIMES BELIEVES THERE ARE OTHER, CHEAPER METHODS OF RAISING AGRICULTURAL OUTPUT AND EMPLOYMENT. THE MINISTRY OF AGRICULTURE IS REPORTED TO CONSIDER "THE 50,000 NEW ACRES BECOMING AVAILABLE ANNUALLY ... TO BE MORE THAN CAN BE BROUGHT UNDER CULTIVATION EACH YEAR IN TERMS OF FARMERS, SEED AND FERTILIZER." HOW THE SETTLEMENT OF NEW LANDS WILL BE HANDLED

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IS A "GREAT UNKNOWN." WHILE THE GOVERNMENT HAS MADE SOME EFFORTS TO RESUSCITATE THE TEA INDUSTRY, "THE TEA ESTATES ARE STILL IN A MESS."

5. ON THE POLITICAL SIDE, THE SURVEY CONSIDERS THE TAMIL PROBLEM AS THE MOST SERIOUS CHALLENGE TO THE GOVERNMENT'S STABILITY. THERE ARE CONSIDERABLE FEARS OF A FRESH OUTBREAK OF COMMUNAL VIOLENCE EVEN WORSE THAN LAST AUGUST'S RIOTING. THE TIMES DOUBTS THAT PRESIDENT JAYEWARDENE CAN EVEN BEGIN TO SATISFY TAMIL DEMANDS FOR GREATER AUTONOMY WITHOUT ALIENATING THE SINHALESE MAJORITY. LEVIN

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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